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*Article 6, consisting of Sections R18-15-601 through R18-15-603, adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2).*

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*Article 7, consisting of Section R18-15-701, adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2).*

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**ARTICLE 1. MANAGEMENT****R18-15-101. Definitions**

In addition to the definitions prescribed in A.R.S. §§ 49-101, 49-201, and 49-1201, the terms of this Chapter, unless otherwise specified, have the following meanings:

“Applicant” means a governmental unit, a non-point source project sponsor, or a drinking water facility that is seeking financial assistance from the Authority under the provisions of this Chapter.

“Application” means a request for financial assistance submitted to the Board, by an applicant.

“Approval to Construct” means the written approval issued by the Department or the Department’s designee to an applicant or recipient indicating that project construction may begin.

“Authority” means the Water Infrastructure Finance Authority of Arizona pursuant to A.R.S. § 49-1201.

“Board” means the board of directors of the Authority pursuant to A.R.S. § 49-1201.

“Certified Water Quality Management Plan” means a plan prepared by the designated Water Quality Management Planning Agency, pursuant to § 208 of the Clean Water Act, 33 U.S.C. § 1288.

“Clean Water Revolving Fund” means the fund established by A.R.S. § 49-1221.

“Construction” means, for a project, any placement, assembly, or installation of a building, structure, equipment, treatment process, collection lines, distribution lines, pumps, or related drinking water or water pollution control activity.

“Dedicated Revenue Source for Repayment” means the source of revenue pledged by a borrower to repay the financial assistance.

“Department” means the Arizona Department of Environmental Quality.

“Designated Water Quality Management Planning Agency” means a single representative organization designated by the Governor pursuant to § 208 of the Clean Water Act, 33 U.S.C. § 1288, to develop a Certified Water Quality Management Plan for the area.

“Disbursement” means the transfer of cash from the fund to a recipient.

“Drinking Water Facility” means a community water system as defined in R18-4-101, or a nonprofit non-community water system as defined in R18-4-101.

“Drinking Water Revolving Fund” means the fund established by A.R.S. § 49-1241.

“EPA” means the United States Environmental Protection Agency and its successor.

“Equivalency Project” means a wastewater treatment facility under § 212 of the Clean Water Act, 33 U.S.C. § 1292, constructed in whole or in part before October 1, 1994, with funds equaling the amount of the federal capitalization grant.

“Executive Director” means the executive director of the Water Infrastructure Finance Authority of Arizona.

“Federal capitalization grant” means the assistance agreement by which the EPA obligates and awards funds allotted to the Authority for purposes of capitalizing the Clean Water Revolving Fund and the Drinking Water Revolving Fund.

“Financial assistance” means the use of monies for any of the purposes identified in R18-15-201, R18-15-301, and R18-15-401.

“Financial assistance agreement” means any agreement, including a financial assistance loan repayment agreement, technical assistance loan repayment agreement, or grant agreement that defines the terms for financial assistance given pursuant to this Article.

“First Use Project” means a project identified by EPA and the state as part of the National Municipal Policy List for the state.

“Governmental unit” means a political subdivision or Indian tribe that may receive financial assistance from the Authority pursuant to A.R.S. § 49-1203.

“Infiltration” means water other than wastewater that enters a sewer system, including sewer service connections and foundation drains, from the ground through such means as defective pipes, pipe joints, connections, or manholes.

“Intended Use Plan” means the document prepared by the Authority identifying the intended uses of Clean Water Revolving Fund and Drinking Water Revolving Fund capitalization grants pursuant to R18-15-203 and R18-15-303.

“Master Priority List” means the Master Priority List for Capacity Development developed by the Arizona Department of Environmental Quality under 18 A.A.C. 8., which ranks public water systems according to their need for technical assistance.

“MBE, WBE, SBRA report” means a report that identifies and documents each small business or business enterprise owned by a woman or minority in a rural area that participates in a contract funded in whole or in part by the Authority.

“Nonpoint Source Management Program” means Arizona’s Nonpoint Source Management Program, approved by EPA

under § 319 of the Clean Water Act, 33 U.S.C. § 1329, for controlling pollution from nonpoint sources.

“Operational technical assistance” means the use of monies for a specific water or wastewater system to assist that system to improve its operations.

“Policy technical assistance” means the use of monies by or on behalf of the Authority to conduct research, conduct studies, conduct surveys, develop guidance, and perform related activities that benefit more than one water or wastewater system.

“Preconstruction” means any activity that occurs on the project before any physical activity onsite such as the erection, acquisition, alteration, remodeling, improvement, or extension of treatment works, collection lines, distribution lines, or pumps.

“Priority List” means the document developed by the Board that ranks projects pursuant to R18-15-204, R18-15-304, R18-15-504 and R18-15-508.

“Project” means any distinguishable segment or segments of a wastewater treatment facility, drinking water facility, or the Nonpoint Source Management Program that can be bid separately and for which financial assistance is being requested or provided.

“Project technical assistance” means the use of monies for a specific water or wastewater system to assist that system achieve technical, managerial, or financial capability and to facilitate the design, construction, acquisition, improvement, or consolidation of a drinking water or wastewater system.

“Recipient” means an applicant who has entered into a financial assistance agreement with the Authority.

“Replacement” means obtaining and installing equipment or accessories that are necessary during the design and operation of the drinking water and wastewater infrastructure to maintain the capacity and performance for which such infrastructure were designed and constructed.

“Regulatory authority” means the Department, EPA, the Department of Health Services, a county, city, or other local health department, a county environmental agency, or a sanitary district.

“Service area” means the area within a municipality’s boundaries, or the boundaries of a municipal, sanitary, irrigation, or county improvement district (for wastewater treatment or drinking water facilities), or is the area served by either a public service corporation (as defined in Article XV, Section 2 of the Arizona Constitution) or a homeowners association.

“State match” means the monies that may be used to meet the requirements of § 602(b)(2) of the Clean Water Act, 33 U.S.C. § 1382 and § 1452(e) of the Safe Drinking Water Act, 42 U.S.C. § 300j-12.

“Technical Assistance Intended Use Plan” means the document prepared by the Authority identifying the intended sources and uses of funding for technical assistance.

“Treatment works” means any devices and systems for the storage, treatment, recycling, and reclamation of municipal sewage, domestic sewage, or liquid industrial wastes used to implement § 201 of the Clean Water Act, 33 U.S.C. § 1281, or necessary to recycle or reuse water over the design life of the works.

“User charge” means a charge levied on users of drinking water and wastewater infrastructure.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).

Amended effective June 4, 1998 (Supp. 98-2). Amended

by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2). Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### **R18-15-102. Application Process**

- A.** An applicant for financial assistance shall apply to the Authority for each type of financial assistance on forms provided by the Authority. After the Board determines that an application is complete and correct, the Authority may enter into a financial assistance agreement with the applicant.
- B.** An applicant seeking Clean Water Revolving Fund financial assistance shall apply for financial assistance pursuant to Articles 1 and 2 of this Chapter.
- C.** An applicant seeking Drinking Water Revolving Fund financial assistance shall apply for financial assistance pursuant to Articles 1 and 3 of this Chapter.
- D.** An applicant seeking other types of financial assistance available through the Water Infrastructure Finance Authority shall apply for financial assistance pursuant to Articles 1 and 4 of this Chapter.
- E.** Any confidential information shall be marked with the words "confidential information" on each page of the material containing such information. A claim of confidential information may be asserted for a trade secret or information that, upon disclosure, would harm a person's competitive advantage. The Authority shall not disclose any confidential information.

#### **Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).

#### **R18-15-103. Legal Capability**

- A.** The applicant shall demonstrate that it is legally authorized to enter into long-term indebtedness and legally authorized to pledge the dedicated revenue source for repayment required by R18-15-104.
- B.** If the applicant is a political subdivision and the long-term indebtedness is authorized through an election, the applicant shall provide all of the following:
  - 1. One copy of the sample election ballot and election pamphlet at least 45 days prior to the election.
  - 2. One copy of the governing body resolution calling for the election at least 45 days prior to the election.
  - 3. One copy of the election results following the election.
  - 4. An attorney's opinion on the current legal status of the applicant and the applicant's ability to legally enter into the financial assistance agreement.
- C.** If the applicant is a political subdivision and the long-term indebtedness is authorized through a special taxing district creation process, the applicant shall provide all of the following:
  - 1. One copy of all final documentation, notices, petitions, and related information at the conclusion of each step in the special taxing district creation process.
  - 2. An attorney's opinion on the current legal status of the applicant and the applicant's ability to legally enter into the financial assistance agreement.
- D.** If the applicant is regulated by the Arizona Corporation Commission, the applicant shall provide all of the following:
  - 1. Evidence that the financial assistance from the Authority to the applicant has been authorized by the Arizona Corporation Commission.
  - 2. An attorney's opinion on the current legal status of the applicant and the applicant's ability to legally enter into the financial assistance agreement.
- E.** All other applicants who are not included in subsections (B), (C), and (D), shall demonstrate that a majority of the beneficiaries consent to the terms and conditions of the financial assistance. The Authority shall assist each applicant to devise a process by which this consent is documented.

- F.** Based on the Board's determination of the applicant's legal capability, the Authority may recommend modifications to the proposed project or the Authority may recommend modifications to the applicant's legal structure and organization.

#### **Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### **R18-15-104. Financial Capability**

- A.** The applicant shall identify a dedicated revenue source for repayment of the financial assistance. When determining an applicant's financial capability, the Board shall consider all the following:
  - 1. The amount of money collected through the dedicated revenue source for each of the previous five fiscal years.
  - 2. An estimate of the amount of money that will be collected through the dedicated revenue source for the current fiscal year.
  - 3. A projection of the amount of money that will be collected through the dedicated revenue source for each of the next five fiscal years.
- B.** The applicant shall provide an estimate of the project costs, including applicable planning, design, and construction costs, as well as estimated annual operation, maintenance, and replacement costs.
- C.** The applicant shall provide an estimated schedule of required disbursements of the financial assistance.
- D.** The applicant shall provide the following information:
  - 1. One copy of each financial statement, audit, or comprehensive financial statement from the previous five fiscal years.
  - 2. One copy of each budget, business plan, management plan, or financial plan from the previous three fiscal years and the current fiscal year.
  - 3. One copy of the proposed budget, business plan, management plan, or financial plan for the next fiscal year.
  - 4. A summary of current fees for drinking or wastewater services including, as applicable, any resolutions passed by the governing body of a political subdivision.
  - 5. The most recent version of the applicant's capital improvement plan or other plan explaining proposed infrastructure investments.
  - 6. Copies of documentation relating to outstanding indebtedness including official statements, financial assistance agreements, and amortization schedules.
  - 7. The number of connections to be served by the proposed project.
- E.** Based on the Board's determination of the applicant's financial capability and the Board's review of the estimated costs of the project, the Authority may recommend modifications to the proposed project or the Authority may recommend modifications to the dedicated revenue source.

#### **Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### **R18-15-105. Technical Capability**

- A.** The Board shall review each applicant's technical capability to construct, operate, and maintain the proposed project.
- B.** The applicant shall provide the following information:
  - 1. One copy of each feasibility study, engineering report, design memorandum, set of plans and specifications, and other technical documentation related to the proposed project.

2. Copies of resumes, biographies or related information of the certified operators, system employees, or contractors employed by the applicant to operate and maintain the existing facilities and the proposed project.
  3. A description of the service territory including maps.
  4. A description of the existing physical facilities.
- C. The Board may consider the applicant's compliance history, as applicable, to the Clean Water Act, 33 U.S.C. §§ 1251 to 1387, Safe Drinking Water Act, 42 U.S.C. § 300f to 300j-25, related Arizona statutes, and related rules, regulations, and policies.
- D. Based on the Board's determination of the applicant's technical capability and the Board's review of the proposed project, the Authority may recommend modifications to the proposed project.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended by final rulemaking at 7 A.A.R. 5956, effective  
December 4, 2001 (Supp. 01-4).

#### R18-15-106. Managerial and Institutional Capability

- A. The Board shall review each applicant's capability to manage the proposed project.
- B. The applicant shall provide the following information:
1. As applicable, copies of resumes, biographies, years of experience, term of office, and related information of the owners, managers, chief elected officials, and governing body members of the applicant.
  2. A list of professional and outside services retained by the applicant and the proposed project.
- C. The Board may consider the following:
1. As applicable, compliance history of the applicant relative to the Clean Water Act, 33 U.S.C. §§ 1251 to 1387, Safe Drinking Water Act, 42 U.S.C. § 300f to 300j-25, related Arizona statutes, and related rules, regulations, and policies.
  2. The scope and size of the proposed project and the applicant's ability to manage the project once completed.
- D. Based on the Board's determination of the applicant's managerial capability and the Board's review of the proposed project, the Authority may recommend modifications to the proposed project.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended by final rulemaking at 7 A.A.R. 5956, effective  
December 4, 2001 (Supp. 01-4).

#### R18-15-107. Environmental Review

- A. The Authority shall conduct an environmental review pursuant to this Section for impacts of the design or construction of water infrastructure works in accordance with applicable federal and state law. As part of the application process, the Authority shall request information from the applicant to conduct an environmental review consistent with the Clean Water Act, 33 U.S.C. 1251 to 1387, and A.R.S. Title 49.
- B. If, based on the application and other information submitted by the applicant, the Authority determines that a categorical exemption from an environmental review is warranted, the project is exempt from the requirements of this Section. The Authority shall grant an exemption if existing information and documents demonstrate that the project qualifies under 1 or more of the following categories:
1. Any project which is directed towards rehabilitation of existing facilities, functional replacement of equipment, or the construction of new ancillary facilities adjacent or appurtenant to existing facilities which do not affect the degree of treatment or capacity of the existing facility.

2. Any project in sewerred communities which is for minor upgrading and minor expansion of existing treatment works.
  3. Any project in unsewerred communities where onsite technologies are proposed.
- C. The Authority shall deny an exemption if the project falls under any of the following categories:
1. The project will create a new, or relocate an existing, discharge to surface, or ground waters.
  2. The project will result in substantial increases in the volume of discharge or the loading of pollutants from an existing source or from new facilities to receiving waters.
  3. The project is known or expected to have a significant effect on the quality of the human environment, either individually, cumulatively over time, or in conjunction with other federal, state, local, or private actions.
  4. The project is known or expected to directly or indirectly affect cultural resources, habitats of endangered or threatened species, environmentally important natural resource areas such as floodplains, wetlands, important farmlands, and aquifer recharge zones; or other resource areas.
  5. The project is known or expected to cause significant public controversy.
  6. The project is known or expected not to be cost effective.
- D. If the Authority determines that a categorical exemption is not warranted under subsection (B), the applicant shall prepare an Environmental Information Document (EID) in a format prescribed by the Authority. The EID shall be of sufficient scope to allow development of an Environmental Assessment (EA) under subsection (E).
- E. The EA may be conducted by the Authority or by the applicant under the supervision of the Authority and shall include consideration of all of the following factors:
1. For the delineated planning area, the existing environmental conditions relevant either to the analysis of alternatives or to determining the environmental impacts of the proposed project.
  2. The relevant future environmental conditions of the delineated planning area, including the alternative of no action.
  3. The purpose and need for the project in the planning area, including the existing public health or water quality problems and their severity and extent.
  4. A comparative analysis of feasible alternatives, including no action, throughout the project area. The comparison shall focus on the beneficial and adverse consequences, both direct and indirect, on the existing environment, the future environment, and individual sensitive environmental issues that are identified by project management or through public participation conducted under this Section. The comparison shall also include an analysis of all of the following factors:
    - a. Land use and other social parameters, including recreation and open-space considerations.
    - b. Consistency with population projects used to develop state implementation plans under the Clean Air Act, 42 U.S.C. 7401 to 7671.
    - c. Cumulative impacts, including anticipated community growth within the project study area.
    - d. Other anticipated public works projects, including coordination with such projects.
  5. A full range of relevant impacts of the project, including any irreversible or irretrievable commitments of resources to the project and the relationship between local short-term uses of the environment and the maintenance and enhancement of long-term productivity.

6. Proposed structural and nonstructural measures to mitigate or eliminate adverse effects on the human and natural environments. Among other measures, structural provisions include changes in project design, size, and location; and nonstructural provisions include staging facilities, monitoring and enforcement of environmental rules, and local commitments to develop and enforce land use rules.
- F.** Upon completion of the EA required by subsection (E), the Authority shall determine whether an environmental impact statement (EIS) is necessary.
1. The Authority shall prepare an EIS pursuant to subsection (G) if any of the following conditions exist.
    - a. The project is known or expected to have a significant adverse effect on the quality of the human environment, either individually, cumulatively over time, or in conjunction with other federal, state, local, or private actions.
    - b. The project is known or expected to directly or indirectly adversely affect recognized cultural resources, habitats of endangered or threatened species, environmentally important natural resource areas such as floodplains, wetlands, important farmlands, and aquifer recharge zones, or other resource areas.
    - c. The project is likely to cause significant public controversy or is known or expected not to be cost effective.
    - d. The project discharges into a body of water where the present protected or designated use is not being met or is being challenged as inadequate to protect existing uses, and the discharge will not be of sufficient quality or quantity to meet the requirements of these uses.
  2. If the Authority determines pursuant to subsection (F)(1) that an EIS is not necessary, the Authority shall issue a finding of no significant impact (FNSI). The FNSI shall be accompanied by the submitted EA with an attached memorandum from the Authority explaining any changes made to the submitted document. Upon issuance of the FNSI, the project may proceed under the other requirements of this Article.
- G.** An EIS required by subsection (F)(1) shall be prepared as follows:
1. The Authority shall 1st prepare and distribute a Notice of Intent.
  2. As soon as possible after the publication of the Notice of Intent required by subsection (G)(1), the Authority shall convene a meeting of affected federal, state, and local agencies, affected Indian tribes, the applicant, and other interested parties. At the meeting, the scope of the EIS shall be determined by considering a number of factors, including all of the following:
    - a. The significant issues to be analyzed in depth in the EIS.
    - b. The preliminary range of alternatives to be considered.
    - c. The potential cooperating agencies and information or analyses that may be needed from cooperating agencies or other parties.
    - d. The method for EIS preparation and the public participation strategy.
  3. Upon completion of the process described in subsection (G)(2), the Authority shall identify and evaluate all potentially viable alternatives to adequately address the range of issues identified. Additional issues may also be addressed, or others eliminated, and the reasons documented as part of the EIS.
4. After the analysis of issues is conducted pursuant to subsection (G)(3), the Authority shall issue a draft EIS for public comment. Following public comment pursuant to subsection (J), the Authority shall prepare a final EIS, consisting of all of the following:
    - a. The draft EIS.
    - b. Comments received on the draft EIS.
    - c. A list of persons commenting on the draft EIS.
    - d. The Authority's responses to significant comments received.
    - e. A determination of consistency with the Certified Water Quality Management Plan, if applicable.
    - f. Any other information added by the Authority.
- H.** After a final EIS has been issued under subsection (G), the Authority shall prepare and issue a record of decision (ROD) containing the Authority's decision whether to proceed or not proceed with a project. A ROD issued with a decision to proceed shall include mitigation measures derived from the EIS process. A ROD issued with a decision not to proceed shall preclude the project from receiving financial assistance under this Article.
- I.** Any project awaiting financial assistance which has a 5 or more year old categorical exclusion, FNSI, or ROD under this Section shall be subject to an environmental re-evaluation. The Authority shall re-evaluate the project, environmental conditions, and public views and, in writing, either reaffirm or modify its original decision. Any new information used by the Authority in making its determination shall be included.
- J.** Public notice and participation under this Section shall be conducted as follows:
1. If a categorical exclusion is granted under subsection (B), the Authority shall provide public notice of that fact by publishing the notice as a legal notice at least once, in 1 or more newspapers of general circulation in the county or counties concerned.
  2. If a FNSI is issued under subsection (F)(2), the Authority shall provide public notice pursuant to R18-1-401(A) that the FNSI is available for public review. The notice shall provide that comments on the FNSI may be submitted to the Authority for a period of 30 days from the date of publication of the notice. If no comments are received, the FNSI shall immediately become effective.
  3. If a Notice of Intent is prepared and distributed under subsection (G)(1), the Authority shall publish it as a legal notice at least once, in 1 or more newspapers of general circulation in the county or counties concerned.
  4. If a draft EIS is issued under subsection (G)(4), the Authority shall provide public notice pursuant to A.A.C. R18-1-401(A) that the draft EIS is available for public review. The notice shall provide that comments on the draft EIS may be submitted to the Authority for a period of 30 days from the date of publication of the notice. In addition, if the Authority determines that a project may be controversial, the notice shall provide for a general public hearing to receive public comment pursuant to A.A.C. R18-1-401(B).
  5. If the Authority reaffirms or revises a decision pursuant to subsection (I), the Authority shall provide public notice of that fact by publishing the notice as a legal notice at least once, in 1 or more newspapers of general circulation in the county or counties concerned.
  6. When public notice is required under this subsection, the Authority shall also provide written notice to the applica-

ble Designated Water Quality Management Planning Agency.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended effective June 4, 1998 (Supp. 98-2).

#### R18-15-108. Interest Rate Determinations

- A. In establishing interest rates for financial assistance made under this Chapter, the Authority:
1. Shall consider the interest rate on bonds issued by the Authority, prevailing market rates, the recommendations of financial advisors, equity growth, and asset growth;
  2. Shall not establish a rate which exceeds prevailing market rates for similar types of financial assistance;
  3. Shall not establish a rate that is less than is needed to retire the Authority's bonds.
- B. The Authority shall establish interest rates on a loan by loan basis. Such determinations shall be adopted and amended as required by the Board at public meetings of the Board.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended effective June 4, 1998 (Supp. 98-2). Section repealed; new Section R18-15-108 renumbered from R18-15-109 by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-15-109. Bid Document Review

To ensure compliance with all Arizona statutes and federal requirements for funding the project, the applicant shall submit bid documents for review and comment by the Authority prior to the release of the documents to prospective bidders or contractors.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Former Section R18-15-109 renumbered to R18-15-108; new Section R18-15-109 renumbered from R18-15-110 by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-15-110. Disbursements and Repayments

- A. The Authority shall honor disbursement requests if the disbursements are consistent with the financial assistance agreement and the disbursement schedule agreed to by both parties at the beginning of the contract, or the amended schedule based upon prior Authority approval.
- B. The Authority shall charge a late fee for any loan repayment 30 days past the due date and every 30 days thereafter. The Authority shall refer any loan repayment over 90 days past due to the Office of the Attorney General for appropriate action pursuant to A.R.S. § 49-375(J).
- C. The recipient shall maintain a project account in accordance with generally accepted government accounting standards. After reasonable notice by the Authority, the recipient shall make available any project records reasonably required to determine compliance with the provisions of this Article and the financial assistance agreement.
- D. Each disbursement request shall be on the forms provided by the Authority. Each disbursement request shall include a certification and signature document, a cost-incurred report, and a MBE, WBE, SBRA report. All disbursement forms shall be completely filled out before the disbursement can be processed by the Authority.
- E. Each disbursement request shall include copies of invoices, canceled checks, or other documents that show proof of payment.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Former Section R18-15-110 renumbered to R18-15-111; new Section adopted effective June 4, 1998 (Supp. 98-2).  
Former Section R18-15-110 renumbered to R18-15-109; new Section R18-15-110 renumbered from R18-15-111 and amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-15-111. Administration

- A. The Authority may use up to 4% of federal capitalization grant awards to pay the reasonable costs of administering the Clean Water Revolving Fund and the Drinking Water Revolving Fund.
- B. The Authority may also require a recipient to pay a proportionate share of the expenses of the Authority's operating costs.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Former Section R18-15-111 renumbered to R18-15-112; new Section R18-15-111 renumbered from R18-15-110 and amended effective June 4, 1998 (Supp. 98-2). Former Section R18-15-111 renumbered to R18-15-110; new Section R18-15-111 renumbered from R18-15-112 and amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-15-112. Disputes

- A. Any party having a substantial financial interest in or suffering a substantial adverse financial impact from an action taken pursuant to this Chapter may file a formal letter of dispute with the Executive Director. Within 30 days of receipt of a dispute letter, the Authority shall issue a preliminary decision in writing, to be forwarded by certified mail to the party.
- B. Any party filing a dispute under subsection (A) that disagrees with a preliminary decision of the Authority may file a formal letter of appeal with the Board, provided such letter is received by the Executive Director not more than 15 days after the receipt by the party of the preliminary decision.
- C. The Board shall issue a final decision on issues appealed under subsection (B) not more than 60 days after receipt of the appeal.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Former Section R18-15-112 renumbered to R18-15-113; new Section R18-15-112 renumbered from R18-15-111 (Supp. 98-2). Former Section R18-15-112 renumbered to R18-15-111; new Section R18-15-112 renumbered from R18-15-113 and amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-15-113. Renumbered

#### Historical Note

Section R18-15-113 renumbered from R18-15-112 (Supp. 98-2). Section R18-15-113 renumbered to R18-15-112 by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

### ARTICLE 2. CLEAN WATER REVOLVING FUND

#### R18-15-201. Types of Financial Assistance Available

- A. The Authority may use the Clean Water Revolving Fund for any of the following purposes:
1. Financial assistance, which includes any of the following:
    - a. Financial assistance loan repayment agreements consistent with § 603(d)(1) of the Clean Water Act, 33 U.S.C. § 1383;

- b. The purchase or refinance of local debt obligations that were incurred after March 7, 1985, if building began after that date;
  - c. The guarantee or purchase of insurance for local obligations to improve credit market access or reduce interest rates;
  - d. Security as a source of repayment of principal and interest on bonds issued by the Authority provided that the net proceeds of the bonds are deposited in the fund;
  - e. Guarantees of debt obligations by governmental units, which are issued to finance eligible projects.
- 2. Technical assistance loan repayment agreements.
  - 3. Investments to earn interest to be deposited into the fund.
  - 4. Payments of costs to administer the fund.
  - 5. Other uses as additional funds are made available.
- B.** The Authority shall describe projects and proposed financial assistance in the Clean Water Revolving Fund Intended Use Plan, developed under R18-15-203.

**Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended effective June 4, 1998 (Supp. 98-2). Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

**R18-15-202. Eligibility Requirements for Financial Assistance**

- A.** To be eligible to receive financial assistance an applicant shall propose a project to: design, construct, acquire, improve or refinance a publicly owned wastewater treatment facility or projects eligible for the Department's Water Quality Improvement Grant Program.
- B.** A project eligible under subsection (A) shall also meet all of the following applicable requirements before receiving financial assistance:
- 1. The project shall appear on the Clean Water Revolving Fund Priority List developed under R18-15-204.
  - 2. The applicant shall demonstrate legal capability under R18-15-103.
  - 3. The applicant shall demonstrate financial capability under R18-15-104.
  - 4. The applicant shall demonstrate technical capability under R18-15-105.
  - 5. The applicant shall demonstrate managerial and institutional capability under R18-15-106.
  - 6. The applicant shall demonstrate completion of the environmental review process under R18-15-107.
  - 7. The applicant shall obtain or be in the process of obtaining all permits and approvals required by federal, state, and local authorities.
  - 8. The applicant shall ensure that the project is consistent with the Certified Water Quality Management Plan.
  - 9. For nonpoint source projects, the applicant shall ensure that the project is consistent with § 319 and Title VI of the Clean Water Act, 33 U.S.C. §§ 1329, 1381 to 1387.
- C.** The Authority, through its Board, shall provide financial assistance to eligible governmental units for proposed projects in priority order according to the Clean Water Revolving Fund Priority List developed pursuant to R18-15-204. If the Board determines that an applicant will not be able to proceed with a project in a manner consistent with the Clean Water Revolving Fund Intended Use Plan, the Board shall bypass that project. The Board shall provide written notice to the applicant that the project has been bypassed. The Board shall replace the bypassed project with the next project on the Clean Water Revolving Fund Priority List in rank order that is ready to accept financial assistance.

**Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

**R18-15-203. Clean Water Revolving Fund Intended Use Plan**

The Authority shall publish an Intended Use Plan for each funding cycle in which it anticipates that it will provide financial assistance for eligible projects. At a minimum the Intended Use Plan shall include a Priority List, a Fundable Range for Design Financial Assistance, and a Fundable Range for Construction Financial Assistance and shall identify the projects by eligible applicant, project name, type of project, type of financial assistance, amount of financial assistance, and estimated interest rates to be charged. The Intended Use Plan shall also identify first use and equivalency projects. The Intended Use Plan shall be prepared after providing for public comment and review. If an Intended Use Plan is to be submitted as one of the documents required to obtain a grant under Title VI of the Clean Water Act, 33 U.S.C. §§ 1381 to 1387, the Intended Use Plan shall include any additional information required by federal law.

**Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

**R18-15-204. Clean Water Revolving Fund Priority List**

- A.** The Board shall adopt a Clean Water Revolving Fund Priority List for the funding cycle described in the Intended Use Plan. The Board shall not adopt a new list for years where funds are not adequate to assist any projects.
- B.** If the Clean Water Revolving Fund Priority List is required pursuant to subsection (A), the Authority shall rank the projects by priority points and the year the applicant requests project assistance.
- C.** An applicant, desiring placement on the Clean Water Revolving Fund Priority List, shall make its request for placement of one or more proposed projects on or before a date specified by the Authority. If requesting placement on the Clean Water Revolving Fund Priority List, an applicant shall submit information within an application format specified by the Authority.
- D.** The Authority shall prepare a draft Clean Water Revolving Fund Priority List. In developing a draft Clean Water Revolving Fund Priority List, the Authority shall consider all requests submitted under subsection (B), all requests made by regulatory authorities, all plans prepared pursuant to the Clean Water Act, 33 U.S.C. §§ 1251 to 1387, and the most recently adopted Clean Water Revolving Fund Priority List.
- E.** The Authority shall hold a public meeting to receive comments on the draft Clean Water Revolving Fund Priority List. The Authority shall publish a notice of the public meeting in newspapers statewide at least 14 days before the meeting date and make copies of the draft Clean Water Revolving Fund Priority List available to the public at least 7 days before the meeting date.
- F.** The Authority shall consider all comments submitted in writing before the meeting, given orally at the meeting, submitted in writing at the meeting, or submitted subsequent to the meeting but before the close of the written comment period. The Authority shall establish a written comment period and shall publish the date upon which the comment period closes in the meeting notice. After the Authority summarizes the comments received and prepares responses, the Board shall adopt the final Clean Water Revolving Fund Priority List.

**G.** The Board shall make additions to the final Clean Water Revolving Fund Priority List if both of the following conditions are met:

1. The project scores a minimum of 40 points under R18-15-207(C)(2).
2. The additions are made by the Board at a public meeting.

**H.** After an opportunity for public comment at a public meeting, the Board may make modifications to the Clean Water Revolving Fund Priority List, based on changes in circumstances under R18-15-207(C)(2).

**I.** After an opportunity for public comment at a public meeting, the Board may remove a project from the Clean Water Revolving Fund Priority List under one or more of the following circumstances:

1. The project has received all financial assistance from the fund requested by the applicant,
2. The project has been financed with long-term indebtedness from another source,
3. The project is no longer an eligible project,
4. The applicant requests removal, or
5. The applicant is no longer an eligible applicant.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended effective June 4, 1998 (Supp. 98-2). Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### **R18-15-205. Ranking Criteria for the Clean Water Revolving Fund Priority List**

**A.** The Authority, through its Board, shall rank projects using priority values obtained from the following formula:

$PV = EC + PB + LFC$ , where:

PV = Priority Value

EC = Existing Conditions

PB = Project Benefits

LFC = Local Fiscal Capacity

1. Existing Conditions (EC) -- The Authority shall award EC points up to a maximum of 200 points using the following formula:

$EC = CC + PYF$ , where:

CC = Current Conditions

PYF = Prior Year Funding

- a. Current Conditions (CC) -- The Authority shall award CC points up to a maximum of 100 points using only one of the following categories:

- i. Surface Water Pollution (Sewerage Facilities):
  - (1) 100 points if the project corrects a sewer overflow.
  - (2) 80 points if the project corrects a wastewater treatment facility non-compliance.
  - (3) 60 points if the project corrects excessive inflow and infiltration.
  - (4) 40 points if the project repairs a lift or pump station.
- ii. Untreated or Uncontrolled Runoff (shown to be polluting either surface or ground water):
  - (1) 100 points if the project constructs or repairs a stormwater treatment or management facility.
  - (2) 80 points if the project implements agricultural best management practices.
  - (3) 60 points if the project involves landfill capping.
  - (4) 40 points if the project is non-traditional.
- iii. Groundwater Pollution:
  - (1) 100 points if the project corrects onsite

wastewater systems shown to be polluting either surface or ground water.

- (2) 50 points if the project corrects surface or ground water pollution from sources other than onsite wastewater systems.

b. Prior Year Funding (PYF) -- The Authority shall award PYF points up to a maximum of 100 points with only one set of points awarded as follows:

- i. 100 points if the applicant requests additional financial assistance for a multi-year construction project that received financial assistance from the Authority in a previous funding cycle.
- ii. 80 points if the applicant requests financial assistance to construct a project that received pre-design or design financial or technical assistance from the Authority in a previous funding cycle.
- iii. 40 points if the applicant requests additional financial assistance to offset actual costs or justified overruns.

2. Project Benefits (PB) -- The Authority shall award PB points up to a maximum of 200 points using the following formula:

$PB = WQI + CI + CR$ , where:

WQI = Water Quality Improvement

CI = Conservation Index

CR = Consolidation & Regionalization

- a. Water Quality Improvement (WQI) -- The Authority shall award WQI points up to a maximum of 100 points from a combination of Surface Water Restoration and Surface Water Protection or a maximum of 100 points from Groundwater Protection as follows:

- i. Surface Water Restoration
  - (1) 50 points if the project benefits a current Total Maximum Daily Load Implementation Plan.
  - (2) 40 points if the project benefits the development of a Total Maximum Daily Load Implementation Plan.
  - (3) 30 points if the project benefits a future Total Maximum Daily Load Implementation Plan.
  - (4) 20 points if the project indirectly addresses a Total Maximum Daily Load Implementation Plan.
  - (5) 10 bonus points if the project benefits a project funded by a Water Quality Improvement Grant from the Department.
- ii. Surface Water Protection
  - (1) 50 points if the project benefits a waterbody identified by the Department as not supporting its designated use.
  - (2) 40 points if the project benefits a waterbody identified by the Department as in partial support of its designated use.
  - (3) 30 points if the project benefits a waterbody by the Department as in full support of its designated use.
  - (4) 10 bonus points to projects that address a regional or local watershed plan to benefit water quality.
- iii. Groundwater Protection
  - (1) 100 points if the project benefits a well-head protection area for a community water system well.



- (2) 75 points if the project benefits groundwater not meeting aquifer water quality standards.
- (3) 50 points if the project benefits groundwater meeting aquifer water quality standards.
- b. Conservation Index (CI) -- The Authority shall award Conservation Index points up to a maximum of 50 points as follows:
- 50 points if the project will generate Class A+ reclaimed water for direct or indirect reuse.
  - 40 points if the project will generate Class A reclaimed water for direct or indirect reuse.
  - 30 points if the project will generate Class B+ reclaimed water for direct or indirect reuse.
  - 20 points if the project will generate Class B reclaimed water for direct or indirect reuse.
  - 10 points if the project will generate Class C reclaimed water for direct or indirect reuse.
  - 0 points if the project will not generate reclaimed water for direct or indirect reuse.
- c. Consolidation & Regionalization (CR) -- The Authority shall award CR points up to a maximum of 50 points as follows:
- 20 points if the applicant is consolidating the physical facilities of existing multiple facilities.
  - 20 points if the applicant is extending service to existing areas currently served by another facility.
  - 5 points if the applicant is consolidating the operations of existing multiple facilities.
  - 5 points if the applicant is consolidating the ownership of existing multiple facilities.
3. Local Fiscal Capacity (LFC) -- The Authority shall award LFC points up to a maximum of 100 points using the following formula:  
LFC = MHI + UF + I + CE, where:  
MHI = Median Household Income  
UF = User Fees  
I = Indebtedness  
CE = Cost Effectiveness
- a. Median Household Income (MHI) -- The Authority shall divide the MHI from the area served by the applicant by the state's MHI (Service Area MHI/State MHI) to award points as follows:
- 40 points if the area's MHI is less than 40% of the State's MHI.
  - 30 points if the area's MHI is greater than or equal to 40% but less than 60% of the State's MHI.
  - 20 points if the area's MHI is greater than or equal to 60% but less than 80% of the State's MHI.
  - 10 points if the area's MHI is greater than or equal to 80% but less than 100% of the State's MHI.
  - 0 points if the area's MHI is greater than or equal to 100% of the State's MHI.
- b. User Fees (UF) - The Authority shall divide the applicant's proposed residential user fees, rates, and charges by the service area's MHI (Proposed User Fees, Rates and Charges/Area MHI) to award points as follows:
- 20 points if the rates are more than 1.5% of the area's MHI.
  - 10 points if the rates are from 1% to 1.5% of the area's MHI.
  - 0 points if the rates are less than 1% of the area's MHI.
- c. Indebtedness (I) - The Authority shall divide existing indebtedness and proposed indebtedness by the number of users (Indebtedness/Number of Users) and divide the result by the service area's MHI to award points as follows:
- 20 points if the existing and proposed indebtedness is more than 1% of the area's MHI.
  - 10 points if the existing and proposed indebtedness is from .5% to 1% of the area's MHI.
  - 0 points if the existing and proposed indebtedness is less than .5% of the area's MHI.
- d. Cost Effectiveness (CE) -- The Authority shall divide the estimated costs of construction by the number of benefitting connections (Construction Costs/# of Benefitting Connections) to award points as follows:
- 20 points if CE is less than \$2,500 per benefitting connection.
  - 10 points if CE is from \$2,500 to \$5,000 per benefitting connection.
  - 0 points if CE is more than \$5,000 per benefitting connection.
- e. The Authority may use the most recent United States census data to determine the applicant's and the state's median household income. If the Authority or the applicant determines that this data is insufficient, the applicant shall use a reliable and impartial entity to conduct an income survey of the applicant's service area. If the applicant's service area is included in more than one income area, the Authority shall use an average of income areas to define the service area's median household income.
- B. The Authority shall rank tied scores by placing the project with the lowest cost effectiveness ratio above all other tied projects.**
- Historical Note**
- Adopted effective September 18, 1997 (Supp. 97-3). Section repealed; new Section R18-15-205 renumbered from R18-15-206 and amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).
- R18-15-206. Fundable Range for Clean Water Revolving Fund Design Financial Assistance**
- A.** The Board shall adopt a Fundable Range for Design Financial Assistance based on projects ranked on the Priority List. The Board shall not adopt a new Fundable Range for Design Financial Assistance for funding cycles in which funds are not adequate to assist any projects.
- B.** The Authority shall prepare a draft and a final Fundable Range for Design Financial Assistance at the same time and in the same manner as the Priority List in accordance with R18-15-204 (D) through (F).
- C.** The Board shall rank projects within the Fundable Range for Design Financial Assistance based on priority values obtained from the Priority List, the year the applicant requires funding, and the receipt of a complete Design Finance Application.
- D.** The Board shall make additions to the Fundable Range for Design Financial Assistance if each of the following conditions are met:
- The project is on the Priority List,
  - Funds are available to cover the cost of the project and to honor funding commitments made to other projects, and

3. The additions are made by the Board at a public meeting.
- E. After an opportunity for public comment at a public meeting, the Board shall remove a project from the Fundable Range for Design Financial Assistance under one or more of the following circumstances:
  1. The project has been removed from the Priority List,
  2. The project has received all design financial assistance from the fund requested by the applicant, or
  3. The applicant fails to proceed with the project.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
 Amended effective June 4, 1998 (Supp. 98-2). Former  
 Section R18-15-206 renumbered to R18-15-205; new  
 Section R18-15-206 made by final rulemaking at 7  
 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-15-207. Fundable Range for Clean Water Revolving Fund Construction Financial Assistance

- A. The Board shall adopt a Fundable Range for Construction Financial Assistance based on projects ranked on the Priority List. The Board shall not adopt a new Fundable Range for Construction Financial Assistance for funding cycles in which funds are not adequate to assist any projects.
- B. The Authority shall prepare a draft and a final Fundable Range for Construction Financial Assistance at the same time and in the same manner as the Priority List in accordance with R18-15-204(D) through (F).
- C. The Authority shall rank projects within the Fundable Range for Construction Financial Assistance based on priority values obtained from the following formula:  
 $PV = MPLP + RP$ , where:  
 $PV$  = Priority Value  
 $MPLP$  = Master Priority List Points  
 $RP$  = Readiness to Proceed
  1. The Authority shall award Master Priority List Points in accordance with R18-15-205.
  2. Readiness to Proceed (RP) -- The Authority shall award RP points up to a maximum of 100 points as follows:
    - a. 40 points if the applicant has obtained debt authorization.
    - b. 30 points if the applicant has solicited the project for bidding.
    - c. 20 points if the applicant has the necessary plan and specification approvals.
    - d. 10 points if the applicant has completed the project design.
- D. The Board shall make additions to the Fundable Range for Construction Financial Assistance if each of the following conditions are met:
  1. The project is on the Priority List,
  2. The project scores a minimum of 40 RP points under (C)(2),
  3. Funds are available to cover the cost of the project and to honor funding commitments made to other projects, and
  4. The additions are made by the Board at a public meeting.
- E. After an opportunity for public comment at a public meeting, the Board shall remove a project from the Fundable Range for Construction Financial Assistance under one or more of the following circumstances:
  1. The project has been removed from the Priority List,
  2. The project has received all construction financial assistance from the fund requested by the applicant, or
  3. The applicant fails to proceed with the project.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
 Amended effective June 4, 1998 (Supp. 98-2). Section

repealed; new Section made by final rulemaking at 7  
 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-15-208. Clean Water Revolving Fund Requirements

- A. The Authority shall identify Clean Water Revolving Fund requirements applicable to each project pursuant to the Clean Water Act, 33 U.S.C. §§ 1251 to 1387.
- B. If applicable, the applicant shall design a user charge system to produce adequate revenues for operation and maintenance, including replacement. The user charge system shall provide that a user discharging pollutants that cause an increase in the cost of managing the effluent or sludge from the treatment works shall pay proportionately for the increased cost. An applicant's user charge system, based on actual or estimated use of wastewater treatment services, shall provide that each user or user class pays its proportionate share of operation and maintenance, including replacement costs of treatment works within the applicant's service area, based on the user's proportionate contribution to the total wastewater loading from all users or user classes.
- C. After a project is completed, the governmental unit shall use revenue from the project, including the sale of sludges, gases, liquids, crops, or revenue from leases, to offset the costs of operation and maintenance.
- D. The applicant shall certify that it has not violated any federal, state, or local law pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest, or other unlawful or corrupt practices relating to or in connection with facilities planning or design work on a wastewater treatment facility project.
- E. First use and equivalency projects shall comply with the provisions of the Civil Rights Act of 1964, Pub.L. 88-352, 42 U.S.C. § 2000(a) to 2000h-6, and all other applicable federal laws.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
 Amended by final rulemaking at 7 A.A.R. 5956, effective  
 December 4, 2001 (Supp. 01-4).

### ARTICLE 3. DRINKING WATER REVOLVING FUND

#### R18-15-301. Types of Financial Assistance Available

- A. The Authority may use the Drinking Water Revolving Fund for any of the following purposes:
  1. Financial assistance, which includes any of the following:
    - a. Financial assistance loan repayment agreements consistent with § 1452 (a)(2)(f) of the Safe Drinking Water Act, 42 U.S.C. § 300j-12.
    - b. The purchase or refinancing of local debt obligations of political subdivisions that were incurred after July 1, 1993, if building began after that date.
    - c. The guarantee or purchase of insurance for local obligations to improve credit market access or reduce interest rates.
    - d. Security as a source of repayment of principal and interest on bonds issued by the Authority, provided that the net proceeds of the bonds are deposited in the fund.
    - e. Guarantees of debt obligations by governmental units, which are issued to finance eligible projects.
  2. Technical assistance loan repayment agreements.
  3. Investments to earn interest to be deposited into the fund.
  4. Payments of costs to administer the fund.
  5. Other uses authorized by the Safe Drinking Water Act, 42 U.S.C. § 300f to 300j-25.
- B. The Authority shall describe projects and proposed financial assistance in the Drinking Water Revolving Fund Intended Use Plan, developed pursuant to R18-15-303.

- C. Pursuant to the Safe Drinking Water Act, 42 U.S.C. § 300f to 300j-25, 15% of available Drinking Water Revolving Fund financial assistance shall be available solely for drinking water facilities serving fewer than 10,000 persons consistent with the requirements for financial assistance within Article 3. On an annual basis, if there are insufficient requests for Drinking Water Revolving Fund financial assistance from drinking water facilities serving fewer than 10,000 persons, the Authority, through its Board, may direct the remainder of the 15% to all other drinking water facilities requesting financial assistance consistent with the requirements within Article 3.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended by final rulemaking at 7 A.A.R. 5956, effective  
December 4, 2001 (Supp. 01-4).

#### R18-15-302. Eligibility Requirements for Financial Assistance

- A. To be eligible to receive financial assistance an applicant shall be a drinking water facility as defined by A.R.S. § 49-1201. An applicant shall propose a project to: plan, design, construct, acquire, or improve a drinking water facility, or refinance an eligible drinking water facility.
- B. A project eligible under subsection (A) shall also meet all of the following requirements before receiving financial assistance:
1. The project shall appear on the Drinking Water Revolving Fund Priority List developed under R18-15-304.
  2. The applicant shall demonstrate legal capability under R18-15-103.
  3. The applicant shall demonstrate financial capability under R18-15-104.
  4. The applicant shall demonstrate technical capability under R18-15-105.
  5. The applicant shall demonstrate managerial and institutional capability under R18-15-106.
  6. The applicant shall demonstrate completion of the environmental review process under R18-15-107.
  7. The applicant shall obtain or be in the process of obtaining all permits and approvals required by federal, state, and local authorities.
- C. The Authority, through its Board, shall provide financial assistance to eligible applicants for proposed projects in priority order according to the priority list developed under R18-15-304. If the Board determines that an applicant will not be able to proceed with a project in a manner consistent with the Drinking Water Revolving Fund Intended Use Plan, the Board shall bypass that project. The Board shall provide written notice to the applicant that the project has been bypassed. The Board shall replace the bypassed project with the next project on the Drinking Water Revolving Fund Priority List in rank order that is ready to accept financial assistance.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended by final rulemaking at 7 A.A.R. 5956, effective  
December 4, 2001 (Supp. 01-4).

#### R18-15-303. Drinking Water Revolving Fund Intended Use Plan

The Authority shall publish an Intended Use Plan for each funding cycle in which it anticipates that it will provide financial assistance for eligible projects. At a minimum, the Intended Use Plan shall include a Priority List, a Fundable Range for Design Financial Assistance, and a Fundable Range for Construction Financial Assistance and shall identify the projects by eligible applicant, project name, type of project, type of financial assistance, amount of financial assistance, population served by the project, and esti-

mated interest rates to be charged. The Intended Use Plan shall be prepared after providing for public comment and review. If an Intended Use Plan is to be submitted as one of the documents required to obtain a grant under the Safe Drinking Water Act, 42 U.S.C. § 300f to 300j-25, the Intended Use Plan shall include any additional information required by federal law.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended by final rulemaking at 7 A.A.R. 5956, effective  
December 4, 2001 (Supp. 01-4).

#### R18-15-304. Drinking Water Revolving Fund Priority List

- A. The Board shall adopt a Drinking Water Revolving Fund Priority List for the funding cycle described in the Intended Use Plan. The Board shall not adopt a new list for years where funds are not adequate to assist any projects.
- B. If the Drinking Water Revolving Fund Priority List is required pursuant to subsection (A), the Authority shall rank the projects by priority points and the year the applicant requests project assistance.
- C. An applicant, desiring placement on the Drinking Water Revolving Fund Priority List, shall make its request for placement of one or more proposed projects on or before a date specified by the Authority. If requesting placement on the Drinking Water Revolving Fund Priority List, an applicant shall submit information within an application format specified by the Authority.
- D. The Authority shall prepare a draft Drinking Water Revolving Fund Priority List. In developing a draft Priority List, the Authority shall consider all requests submitted under subsection (B), all requests made by regulatory authorities, all plans prepared under the Safe Drinking Water Act, 42 U.S.C. § 300f to 300j-25, and the most recently adopted Drinking Water Revolving Fund Priority List.
- E. The Authority shall hold a public meeting to receive comments on the draft Priority List. The Authority shall publish a notice of the public meeting in newspapers statewide at least 14 days before the meeting date and make copies of the draft Drinking Water Revolving Fund Priority List available to the public at least 7 days before the meeting date.
- F. The Authority shall consider all comments submitted in writing before the meeting, given orally at the meeting, submitted in writing at the meeting, or submitted subsequent to the meeting but before the close of the written comment period. The Authority shall establish a written comment period and shall publish the date upon which the comment period closes in the meeting notice. After the Authority summarizes the comments received and prepares responses, the Board shall adopt the final Drinking Water Revolving Fund Priority List.
- G. The Board shall make additions to the final Drinking Water Revolving Fund Priority List if both of the following conditions are met:
1. The project scores a minimum of 40 points under R18-15-307(C)(2), and
  2. The additions are made by the Board at a public meeting.
- H. After an opportunity for public comment at a public meeting, the Board may make modifications to the Drinking Water Revolving Fund Priority List, based on changes in circumstances under R18-15-307(C)(2).
- I. After an opportunity for public comment at a public meeting, the Board may remove a project from the Drinking Water Revolving Fund Priority List under one or more of the following circumstances:
1. The project has received all financial assistance from the fund requested by the applicant,

2. The project has been financed with long-term indebtedness from another source,
3. The project is no longer an eligible project,
4. The applicant requests removal, or
5. The applicant is no longer an eligible applicant.

#### Historical Note

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended effective June 4, 1998 (Supp. 98-2). Amended  
by final rulemaking at 7 A.A.R. 5956, effective Decem-  
ber 4, 2001 (Supp. 01-4).

#### R18-15-305. Ranking Criteria for the Drinking Water Revolving Fund Priority List

- A. The Authority, through its Board, shall rank projects using priority values obtained from the following formula:

$PV = EC + PB + LFC$ , where:

PV = Priority Value

EC = Existing Conditions

PB = Project Benefits

LFC = Local Fiscal Capacity

1. Existing Conditions (EC) – The Authority shall award EC points up to a maximum of 200 points, using the following formula:

$EC = CC + PYF$ , where:

CC = Current Conditions

PYF = Prior Year Funding

- a. Current Conditions (CC) – The Authority shall award CC points up to a maximum of 100 points as follows:

- i. 100 points if the applicant's system is at or above the 80th percentile of the community water systems on the Department's Master Priority List.
- ii. 80 points if the applicant's system is at or above the 60th percentile but less than the 80th percentile of the community water systems on the Department's Master Priority List.
- iii. 60 points if the applicant's system is at or above the 40th percentile but less than the 60th percentile of the community water systems on the Department's Master Priority List.
- iv. 40 points if the applicant's system is at or above the 20th percentile but less than the 40th percentile of the community water systems on the Department's Master Priority List.
- v. 20 points if the applicant's system is less than the 20th percentile of the community water systems on the Department's Master Priority List.
- vi. 0 points if the applicant's system is not listed on the Department's Master Priority List.

- b. Prior Year Funding (PYF) -- The Authority shall award PYF points up to a maximum of 100 points with only 1 set of points awarded as follows:

- i. 100 points if the applicant requests additional financial assistance for a multi-year construction project that received financial assistance from the Authority in a previous funding cycle.
- ii. 80 points if the applicant requests financial assistance to construct a project that received pre-design or design financial or technical assistance from the Authority in a previous funding cycle.
- iii. 40 points if the applicant requests additional financial assistance to offset actual costs or justified overruns.

2. Project Benefits (PB) – The Authority shall award PB points up to a maximum of 200 points, using the following formula:

$PB = WSI + CR$ , where:

WSI = Water System Improvement

CR = Consolidation & Regionalization

- a. Water System Improvement (WSI) -- The Authority shall award WSI points up to a maximum of 150 points from the following categories:

- i. A maximum of 100 points if the applicant's proposed project addresses deficiencies identified by the Department on the Department's Master Priority List.
- ii. 25 points if the applicant submitted a complete Capacity Development Plan to the Department.
- iii. 25 points if the proposed project includes installing meters to monitor water use.

- b. Consolidation & Regionalization (CR) -- The Authority shall award CR points up to a maximum of 50 points as follows:

- i. 20 points if the applicant is consolidating the physical facilities of existing multiple facilities.
- ii. 20 points if the applicant is extending service to existing areas currently served by another facility.
- iii. 5 points if the applicant is consolidating the operations of existing multiple facilities.
- iv. 5 points if the applicant is consolidating the ownership of existing multiple facilities.

3. Local Fiscal Capacity (LFC) -- The Authority shall award LFC points up to a maximum of 100 points, using the following formula:

$LFC = MHI + UF + I + CE$ , where:

MHI = Median Household Income

UF = User Fees

I = Indebtedness

CE = Cost Effectiveness

- a. Median Household Income (MHI) -- The Authority shall divide the MHI from the area served by the applicant by the state's MHI (Service Area MHI/State MHI) to award points as follows:

- i. 40 points if the area's MHI is less than 40% of the State's MHI.
- ii. 30 points if the area's MHI is greater than or equal to 40% but less than 60% of the State's MHI.
- iii. 20 points if the area's MHI is greater than or equal to 60% but less than 80% of the State's MHI.
- iv. 10 points if the area's MHI is greater than or equal to 80% but less than 100% of the State's MHI.
- v. 0 points if the area's MHI is greater than or equal to 100% of the State's MHI.

- b. User Fees (UF) -- The Authority shall divide the applicant's proposed residential user fees, rates, and charges by the service area's MHI (Proposed User Fees, Rates and Charges/Area MHI) to award points as follows:

- i. 20 points if the rates are more than 1.5% of the area's MHI.
- ii. 10 points if the rates are from 1% to 1.5% of the area's MHI.
- iii. 0 points if the rates are less than 1% of the area's MHI.

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- c. Indebtedness (I) -- The Authority shall divide existing indebtedness and proposed indebtedness by the number of users (Indebtedness/Number of Users) and divide the result by the service area's MHI to award points as follows:
  - i. 20 points if the existing and proposed indebtedness is more than 1% of the area's MHI.
  - ii. 10 points if the existing and proposed indebtedness is from .5% to 1% of the area's MHI.
  - iii. 0 points if the existing and proposed indebtedness is less than .5% of the area's MHI.
- d. Cost Effectiveness (CE) -- The Authority shall divide the estimated costs of construction by the number of benefitting connections (Construction Costs/# of Benefitting Connections) to award points as follows:
  - i. 20 points if CE is less than \$2,500 per benefitting connection.
  - ii. 10 points if CE is from \$2,500 to \$5,000 per benefitting connection.
  - iii. 0 points if CE is more than \$5,000 per benefitting connection.
- e. The Authority may use the most recent United States census data to determine the applicant's and the state's median household income. If the Authority or the applicant determines that this data is insufficient, the applicant shall use a reliable and impartial entity to conduct an income survey of the applicant's service area. If the applicant's service area is included in more than one income area, the Authority shall use an average of the income areas to define the service area's median household income.

- B. The Authority shall rank tied scores by placing the project with the lowest cost effectiveness ratio above all other tied projects.

**Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended effective June 4, 1998 (Supp. 98-2). Former Section R18-15-305 repealed; new Section R18-15-305 renumbered from R18-15-306 and amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

**R18-15-306. Fundable Range for Drinking Water Revolving Fund Design Financial Assistance**

- A. The Board shall adopt a Fundable Range for Design Financial Assistance based on projects ranked on the Priority List. The Board shall not adopt a new Fundable Range for Design Financial Assistance for funding cycles in which funds are not adequate to assist any projects.
- B. The Authority shall prepare a draft and a final Fundable Range for Design Financial Assistance at the same time and in the same manner as the Priority List in accordance with R18-15-304(D) through (F).
- C. The Board shall rank projects within the Fundable Range for Design Financial Assistance based on priority values obtained from the Priority List, the year the applicant requires funding, and the receipt of a complete Design Finance Application.
- D. The Board shall make additions to the Fundable Range for Design Financial Assistance if each of the following conditions are met:
  - 1. The project is on the Priority List,
  - 2. Funds are available to cover the cost of the project and to honor funding commitments made to other projects, and
  - 3. The additions are made by the Board at a public meeting.

- E. After an opportunity for public comment at a public meeting, the Board shall remove a project from the Fundable Range for Design Financial Assistance under one or more of the following circumstances:
  - 1. The project has been removed from the Priority List.
  - 2. The project has received all design financial assistance from the fund requested by the applicant.
  - 3. The applicant fails to proceed with the project.

**Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended effective June 4, 1998 (Supp. 98-2). Former Section R18-15-306 renumbered to R18-15-305; new Section R18-15-306 made by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

**R18-15-307. Fundable Range for Drinking Water Revolving Fund Construction Financial Assistance**

- A. The Board shall adopt a Fundable Range for Construction Financial Assistance based on projects ranked on the Priority List. The Board shall not adopt a new Fundable Range for Construction Financial Assistance for funding cycles in which funds are not adequate to assist any projects.
- B. The Authority shall prepare a draft and a final Fundable Range for Construction Financial Assistance at the same time and in the same manner as the Priority List in accordance with R18-15-304(D) through (F).
- C. The Authority shall rank projects within the Fundable Range for Construction Financial Assistance based on priority values obtained from the following formula:  
PV = MPLP + RP, where:  
PV = Priority Value  
MPLP = Master Priority List Points  
RP = Readiness to Proceed
  - 1. The Authority shall award Priority List Points in accordance with R18-15-305.
  - 2. Readiness to Proceed (RP) -- The Authority shall award RP points up to a maximum of 100 points as follows:
    - a. 40 points if the applicant has obtained debt authorization.
    - b. 30 points if the applicant has solicited the project for bidding.
    - c. 20 points if the applicant has the necessary plan and specification approvals.
    - d. 10 points if the applicant has completed the project design.
- D. The Board shall make additions to the Fundable Range for Design Financial Assistance if each of the following conditions are met:
  - 1. The project is on the Priority List,
  - 2. The project scores a minimum of 40 RP points under to R18-15-307(C)(2),
  - 3. Funds are available to cover the cost of the project and to honor funding commitments made to other projects, and
  - 4. The additions are made by the Board at a public meeting.
- E. After an opportunity for public comment at a public meeting, the Board shall remove a project from the Fundable Range for Construction Financial Assistance under one or more of the following circumstances:
  - 1. The project has been removed from the Priority List,
  - 2. The project has received all construction financial assistance from the fund requested by the applicant, or
  - 3. The applicant fails to proceed with the project.

**Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended effective June 4, 1998 (Supp. 98-2). Section

repealed; new Section made by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### **R18-15-308. Drinking Water Revolving Fund Requirements**

- A.** The Authority shall identify Drinking Water Revolving Fund requirements applicable to each project under the Safe Drinking Water Act, 42 U.S.C. § 300f to 300j-25.
- B.** If applicable, the applicant shall design a user charge system to produce adequate revenues for operation and maintenance, including replacement. An applicant's user charge system, based on actual or estimated use of the drinking water facilities, shall provide that each user or user class pays its proportionate share of operation and maintenance, including replacement costs of facilities within the applicant's service area, based on the user's proportionate use of the facilities.
- C.** The applicant shall certify that it has not violated any federal, state, or local law pertaining to fraud, bribery, graft, kickbacks, collusion, conflict of interest, or other unlawful or corrupt practices relating to or in connection with facilities planning or design work on a project.

#### **Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

### **ARTICLE 4. OTHER FINANCIAL ASSISTANCE**

#### **R18-15-401. Types of Financial Assistance Available**

- A.** The Authority may issue Water Quality Bonds on behalf of eligible applicants for any of the following types of financial assistance:
  1. Loans.
  2. The purchase or refinance of local debt obligations.
- B.** The Authority may guarantee or purchase insurance for local obligations to improve credit market access or reduce interest rates for eligible applicants.

#### **Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).

#### **R18-15-402. Eligibility Requirements for Financial Assistance**

- A.** To be eligible to receive financial assistance, an applicant shall propose a project to: plan, design, construct, improve, acquire, or refinance a wastewater facility, a drinking water facility, or a nonpoint source project.
- B.** A project eligible under subsection (A) shall also meet all of the following requirements prior to receiving financial assistance:
  1. The applicant shall demonstrate legal capability pursuant to R18-15-103.
  2. The applicant shall demonstrate financial capability pursuant to R18-15-104.
  3. The applicant shall demonstrate technical capability pursuant to R18-15-105.
  4. The applicant shall demonstrate managerial and institutional capability pursuant to R18-15-106.
  5. The applicant shall demonstrate completion of the environmental review process pursuant to R18-15-107.
  6. The applicant shall demonstrate readiness to proceed pursuant to R18-15-108.
  7. The applicant shall obtain or be in the process of obtaining all applicable permits and approvals required by federal, state, and local authorities.

#### **Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).

#### **R18-15-403. Repealed**

#### **Historical Note**

Adopted effective September 18, 1997 (Supp. 97-3).  
Amended effective June 4, 1998 (Supp. 98-2). Section repealed by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

### **ARTICLE 5. TECHNICAL ASSISTANCE**

#### **R18-15-501. Technical Assistance Intended Use Plan**

- A.** The Authority shall publish a Technical Assistance Intended Use Plan for each funding cycle in which it anticipates that it will fund technical assistance. At a minimum, the Technical Assistance Intended Use Plan shall include:
  1. Descriptions of the types of technical assistance the Authority expects to fund including operational, policy, and project technical assistance;
  2. Sources and uses of funds for technical assistance;
  3. A Priority List for Clean Water Project Technical Assistance;
  4. A Fundable Range for Clean Water Project Technical Assistance Grants;
  5. A Fundable Range for Clean Water Project Technical Assistance Loans;
  6. A Priority List for Drinking Water Project Technical Assistance;
  7. A Fundable Range for Drinking Water Project Technical Assistance Grants; and
  8. A Fundable Range for Drinking Water Project Technical Assistance Loans.
- B.** The Authority shall adopt the Technical Assistance Intended Use Plan after providing for public comment and review.

#### **Historical Note**

New Section adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2). Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### **R18-15-502. Eligibility Requirements for Project Technical Assistance**

- A.** To be eligible to receive project technical assistance, an applicant shall own or operate a drinking water or wastewater system eligible for financial assistance under A.R.S. §§ 49-1223(A)(1) or 49-1243(A)(1).
- B.** A project eligible under subsection (A) shall also meet both of the following requirements:
  1. Proposed project technical assistance will assist the system to achieve technical capability pursuant to R18-15-105, managerial and institutional capability pursuant to R18-15-106, or financial capability pursuant to R18-15-104; and
  2. Proposed project technical assistance will facilitate the design, construction, acquisition, improvement, or consolidation of a drinking water or wastewater system.
- C.** The Authority shall provide project technical assistance to eligible applicants in priority order according to the priority lists developed pursuant to this Article.

#### **Historical Note**

New Section adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2). Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### **R18-15-503. Types of Project Technical Assistance Available**

The Authority may award project technical assistance in any one or a combination of the following forms:

1. Project technical assistance grants to local units of government. If consultants are required to complete the project technical assistance, the grant agreement shall specify that the local unit of government is required to select and pay consultants in accordance with applicable procurement requirements.
2. Consultants selected and paid by the Authority to provide project technical assistance on behalf of the recipient of the project technical assistance award.
3. Project technical assistance loans subject to terms and conditions approved by the Board.

#### Historical Note

New Section adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2). Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-15-504. Clean Water Project Technical Assistance Priority List

- A. The Board shall adopt the Clean Water Project Technical Assistance Priority List for the funding cycle described in the Technical Assistance Intended Use Plan. The Board shall not adopt a list for a funding cycle in which funds are not adequate to assist any projects.
- B. If the Clean Water Project Technical Assistance Priority List is required pursuant to subsection (A), the Authority shall rank the projects by priority points and the year the applicant requests project technical assistance.
- C. An applicant seeking placement on the Clean Water Project Technical Assistance Priority List shall make a request for placement of one or more proposed projects on or before a date specified by the Authority. If requesting placement on the Clean Water Project Technical Assistance Priority List, an applicant shall submit an application specified by the Authority.
- D. The Authority shall prepare a draft Clean Water Project Technical Assistance Priority List and shall hold at least one public meeting to receive comments on the list and make copies of the draft list available to the public at least seven days before the meeting date.
- E. The Authority shall consider all comments given orally at the public meeting or submitted in writing before the close of the written comment period. The Authority shall establish a written comment period and shall publish the date upon which the comment period closes in the meeting notice. After the Authority summarizes the comments received and prepares responses, the Board shall adopt the final Clean Water Project Technical Assistance Priority List.
- F. Throughout the funding cycle, the Board shall make additions after the adoption of the final Clean Water Project Technical Assistance Priority List if each of the following conditions are met:
  1. The project scores a minimum of 50 points under R18-15-505(A)(1).
  2. The additions are made at a public meeting of the Board.
- G. After an opportunity for public comment at a public meeting, the Board may make modifications to the Clean Water Project Technical Assistance Priority List based on changes to existing conditions pursuant to R18-15-505(A)(1).
- H. After an opportunity for public comment at a public meeting of the Board, the Board may remove a project from the Clean Water Project Technical Assistance Priority List under one or more of the following circumstances:
  1. The applicant has completed the technical assistance project,
  2. The project is no longer an eligible project,

3. The applicant requests removal, or
4. The applicant is no longer an eligible applicant.

- I. The Authority shall provide clean water project technical assistance to eligible applicants for proposed projects in priority order according to the Clean Water Project Technical Assistance Priority List developed pursuant to this Section. If the Authority determines that an applicant will not be able to proceed with a project, the Board shall bypass that project. The Authority shall provide written notice to the applicant that the project has been bypassed. The Authority shall replace the bypassed project with the next project on the Clean Water Project Technical Assistance Priority List in rank order that is ready to accept technical assistance.

#### Historical Note

New Section adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2). Former Section R18-15-504 repealed; new Section R18-15-504 renumbered from R18-15-505 and amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-15-505. Priority List Ranking Criteria for Clean Water Project Technical Assistance

- A. The Authority, through its Board, shall rank projects using priority values obtained from the following formula:  
 $PV = EC + PB + LFC$ , where:  
 PV = Priority Value  
 EC = Existing Conditions  
 PB = Project Benefits  
 LFC = Local Fiscal Capacity
  1. Existing Conditions (EC) -- The Authority shall award EC points up to a maximum of 200 points using the following formula:  
 $EC = CC + PYF$ , where:  
 CC = Current Conditions  
 PYF = Prior Year Funding
    - a. Current Conditions (CC) -- The Authority shall award CC points up to a maximum of 100 points using only one of the following categories:
      - i. Surface Water Pollution (Sewerage Facilities):
        - (1) 100 points if the project corrects a sewer overflow.
        - (2) 80 points if the project corrects a wastewater treatment facility non-compliance.
        - (3) 60 points if the project corrects excessive inflow and infiltration.
        - (4) 40 points if the project repairs a lift or pump station.
      - ii. Untreated or Uncontrolled Runoff (shown to be polluting either surface or ground water):
        - (1) 100 points if the project constructs or repairs a stormwater treatment or management facility.
        - (2) 80 points if the projects implements agricultural best management practices.
        - (3) 60 points if the project involves landfill capping.
        - (4) 40 points if the project is non-traditional.
      - iii. Groundwater Pollution
        - (1) 100 points if the project corrects onsite wastewater systems shown to be polluting either surface or ground water.
        - (2) 50 points if the project corrects surface or ground water pollution from sources other than onsite wastewater systems.

- b. Prior Year Funding (PYF) -- The Authority shall award PYF points up to a maximum of 100 points with only one set of points awarded as follows:
      - i. 100 points if the applicant requests project technical assistance to design a project that received pre-design project technical assistance from the Authority in a previous funding cycle.
      - ii. 50 points if the applicant requests additional technical assistance to offset actual costs or justified overruns.
  2. Project Benefits (PB) -- For requests for pre-design project technical assistance the Authority shall award PB points up to a maximum of 200 points as follows:
    - a. 200 points if the project receives a combined score of 160 to 200 points for Current Conditions pursuant to R18-15-505(A)(1) and Local Fiscal Capacity pursuant to R18-15-505(A)(4).
    - b. 150 points if the project receives a combined score of 120 to 159 points for Current Conditions pursuant to R18-15-505(A)(1) and Local Fiscal Capacity pursuant to R18-15-505(A)(4).
    - c. 100 points if the project receives a combined score of 80 to 119 points for Current Conditions pursuant to R18-15-505(A)(1) and Local Fiscal Capacity pursuant to R18-15-505(A)(4).
    - d. 50 points if the project receives a combined score of 40 to 79 points for Current Conditions pursuant to R18-15-505(A)(1) and Local Fiscal Capacity pursuant to R18-15-505(A)(4).
    - e. 0 points if the project receives a combined score of fewer than 40 points for Current Conditions pursuant to R18-15-505(A)(1) and Local Fiscal Capacity pursuant to R18-15-505(A)(4).
  3. Project Benefits (PB) -- For requests for design project technical assistance, the Authority shall award points up to a maximum of 200 points using the following formula:  $PB = WQI + CI + CR$ , where:  
 WQI = Water Quality Improvement  
 CI = Conservation Index  
 CR = Consolidation & Regionalization
    - a. Water Quality Improvement (WQI) -- The Authority shall award WQI points up to a maximum of 100 points from a combination of Surface Water Restoration and Surface Water Protection or a maximum of 100 points from Groundwater Protection as follows:
      - i. Surface Water Restoration
        - (1) 50 points if the project benefits a current Total Maximum Daily Load Implementation Plan.
        - (2) 40 points if the project benefits the development of a Total Maximum Daily Load Implementation Plan.
        - (3) 30 points if the project benefits a future Total Maximum Daily Load Implementation Plan.
        - (4) 20 points if the project indirectly addresses a Total Maximum Daily Load Implementation Plan.
        - (5) 10 bonus points if the project benefits a project funded by a Water Quality Improvement Grant from the Department.
      - ii. Surface Water Protection
        - (1) 50 points if the project benefits a waterbody identified by the Department as not supporting its designated use.
        - (2) 40 points if the project benefits a waterbody identified by the Department as in partial support of its designated use.
        - (3) 30 points if the project benefits a waterbody by the Department as in full support of its designated use.
        - (4) 10 bonus points to projects that address a regional or local watershed plan to benefit water quality.
      - iii. Groundwater Protection
        - (1) 100 points if the project benefits a well-head protection area for a community water system well.
        - (2) 75 points if the project benefits groundwater not meeting aquifer water quality standards.
        - (3) 50 points if the project benefits groundwater meeting aquifer water quality standards.
    - b. Conservation Index (CI) -- The Authority shall award Conservation Index points up to a maximum of 50 points as follows:
      - i. 50 points if the project will generate Class A+ reclaimed water for direct reuse.
      - ii. 40 points if the project will generate Class A reclaimed water for direct reuse.
      - iii. 30 points if the project will generate Class B+ reclaimed water for direct reuse.
      - iv. 20 points if the project will generate Class B reclaimed water for direct reuse.
      - v. 10 points if the project will generate Class C reclaimed water for direct reuse.
      - vi. 0 points if the project will not generate reclaimed water for direct reuse.
    - c. Consolidation & Regionalization (CR) -- The Authority shall award CR points up to a maximum of 50 points as follows:
      - i. 20 points if the applicant is consolidating the physical facilities of existing multiple facilities.
      - ii. 20 points if the applicant is extending service to existing areas currently served by another facility.
      - iii. 5 points if the applicant is consolidating the operations of existing multiple facilities.
      - iv. 5 points if the applicant is consolidating the ownership of existing multiple facilities.
  4. Local Fiscal Capacity (LFC) -- The Authority shall award LFC points up to a maximum of 100 points using the following formula:  
 $LFC = MHI + UF + I$ , where:  
 LFC = Local Fiscal Capacity  
 MHI = Median Household Income  
 UF = User Fees  
 I = Indebtedness
    - a. Median Household Income (MHI) -- The Authority shall divide the MHI from the area served by the applicant by the state's MHI (Service Area MHI/ State MHI) to award points as follows:
      - i. 40 points if the area's MHI is less than 40% of the State's MHI.
      - ii. 30 points if the area's MHI is greater than or equal to 40% but less than 60% of the State's MHI.
      - iii. 20 points if the area's MHI is greater than or equal to 60% but less than 80% of the State's MHI.



- iv. 10 points if the area's MHI is greater than or equal to 80% but less than 100% of the State's MHI.
  - v. 0 points if the area's MHI is greater than or equal to 100% of the State's MHI.
  - b. User Fees (UF) -- The Authority shall divide the applicant's proposed residential user fees, rates, and charges by the service area's MHI (Proposed User Fees, Rates and Charges/Area MHI) to award points as follows:
    - i. 30 points if the rates are more than 1.5% of the area's MHI.
    - ii. 15 points if the rates are from 1% to 1.5% of the area's MHI.
    - iii. 0 points if the rates are less than 1% of the area's MHI.
  - c. Indebtedness (I) -- The Authority shall divide existing indebtedness and proposed indebtedness by the number of users (Indebtedness/Number of Users) and divide the result by the service area's MHI to award points as follows:
    - i. 30 points if the existing and proposed indebtedness is more than 1% of the area's MHI.
    - ii. 15 points if the existing and proposed indebtedness is from .5% to 1% of the area's MHI.
    - iii. 0 points if the existing and proposed indebtedness is less than .5% of the area's MHI.
  - d. The Authority may use the most recent United States census data to determine the applicant's and the state's median household income. If the Authority or the applicant determines that this data is insufficient, the applicant shall use a reliable and impartial entity to conduct an income survey of the applicant's service area. If the applicant's service area is included in more than one income area, the Authority shall use an average of income areas to define the service area's median household income.
- B.** The Authority shall rank tied scores by placing the project with the highest Local Fiscal Capacity points pursuant to R18-15-505(A)(4) above all other tied projects.

#### Historical Note

New Section adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2). Former Section R18-15-505 renumbered to R18-15-504; new Section R18-15-505 made by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-5-506. Fundable Range for Clean Water Project Technical Assistance Grants

- A.** The Board shall adopt a Fundable Range for Clean Water Project Technical Assistance Grants based on projects ranked on the Priority List. The Board shall not adopt a new Fundable Range for funding cycles in which funds are not adequate to assist any projects.
- B.** The Authority shall prepare a draft and a final Fundable Range at the same time and in the same manner as the Priority List for Clean Water Project Technical Assistance in accordance with R18-15-504(D) and (E).
- C.** The Board shall rank projects within the Fundable Range based on priority values obtained from the Priority List for Clean Water Project Technical Assistance and the year the applicant requires funding. The Fundable Range addressed by this Section is limited to systems serving fewer than 10,001 people.
- D.** As a guide to award project technical assistance grants or consultant contributions, the Board may require applicants to contribute to fund total project costs as follows, based on ability to contribute:
  - 1. 25% contribution towards total project costs if the project received 70 or more points for Local Fiscal Capacity pursuant to R18-15-505(A)(4).
  - 2. 50% contribution towards total project costs if the project received fewer than 70 but at least 50 points for Local Fiscal Capacity pursuant to R18-15-505(A)(4).
  - 3. 75% contribution towards total project costs if the project received fewer than 50 but at least 30 points for Local Fiscal Capacity pursuant to R18-15-505(A)(4).
  - 4. If the applicant receives fewer than 30 points for Local Fiscal Capacity pursuant to R18-15-505(A)(4), the applicant may still be eligible for a project technical assistance loan under R18-15-507.
  - 5. An applicant's contribution can include cash contributions, in-kind contributions, and contributions financed by loans or debt from any source including a loan from the Authority. The Board may waive or modify the applicant's contribution for total project costs if the Board determines, at a public meeting, that the applicant is unable to fund the contribution in accordance with this subsection.

- E.** The Board shall make additions to the Fundable Range if each of the following conditions are met:
  - 1. The project is on the Priority List for Clean Water Project Technical Assistance,
  - 2. Funds are available to cover the cost of the project and to honor funding commitments made to other projects, and
  - 3. The additions are made by the Board at a public meeting.
- F.** After an opportunity for public comment at a public meeting, the Board shall remove a project from the Fundable Range under one or more of the following circumstances:
  - 1. The project has been removed from the Priority List for Clean Water Project Technical Assistance,
  - 2. The project has received all technical assistance requested by the applicant, or
  - 3. The applicant fails to proceed with the project.

#### Historical Note

New Section adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2). Section repealed; new Section made by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-15-507. Fundable Range for Clean Water Project Technical Assistance Loans

- A.** The Board shall adopt a Fundable Range for Clean Water Project Technical Assistance Loans based on projects ranked on the Priority List. The Board shall not adopt a new Fundable Range for funding cycles in which funds are not adequate to assist any projects.
- B.** The Authority shall prepare a draft and a final Fundable Range at the same time and in the same manner as the Priority List for Clean Water Project Technical Assistance in accordance with R18-15-504(D) and (E).
- C.** The Authority shall rank projects within the Fundable Range based on priority values obtained from the Priority List for Clean Water Project Technical Assistance and the year the applicant requires funding.
- D.** The Authority shall only provide project technical assistance loans to applicants eligible under this Section.
- E.** The Board shall make additions to the Fundable Range if each of the following conditions are met:
  - 1. The project is on the Priority List for Clean Water Project Technical Assistance,

2. Funds are available to cover the cost of the project and to honor funding commitments made to other projects, and
  3. The additions are made by the Board at a public meeting.
- F. After an opportunity for public comment at a public meeting, the Board shall remove a project from the Fundable Range under one or more of the following circumstances:
1. The project has been removed from the Priority List for Clean Water Project Technical Assistance,
  2. The project has received all technical assistance requested by the applicant, or
  3. The applicant fails to proceed with the project.

#### Historical Note

New Section adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2). Section repealed; new Section made by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-15-508. Drinking Water Project Technical Assistance Priority List

- A. The Board shall adopt a Drinking Water Project Technical Assistance Priority List for the funding cycle described in the Technical Assistance Intended Use Plan. The Board shall not adopt a list for a funding cycle in which funds are not adequate to assist any projects.
- B. If a Drinking Water Project Technical Assistance Priority List is required under subsection (A), the Authority shall rank the projects by priority points and the year the applicant requests project technical assistance.
- C. An applicant seeking placement on the Drinking Water Project Technical Assistance Priority List shall make a request for placement of one or more proposed projects on or before a date specified by the Authority. If requesting placement on the Drinking Water Project Technical Assistance Priority List, an applicant shall submit an application specified by the Board.
- D. The Authority shall prepare a draft Drinking Water Project Technical Assistance Priority List and shall hold at least one public meeting to receive comments on the list and make copies of the draft list available to the public at least seven days before the meeting date.
- E. The Authority shall consider all comments given orally at the public meeting or submitted in writing before the close of the written comment period. The Authority shall establish a written comment period and shall publish the date upon which the comment period closes in the meeting notice. After the Authority summarizes the comments received and prepares responses, the Board shall adopt the final Drinking Water Project Technical Assistance Priority List.
- F. Throughout the funding cycle, the Board shall make additions after the adoption of the final Drinking Water Project Technical Assistance Priority List if both of the following conditions are met:
  1. The project scores a minimum of 50 points pursuant to R18-15-509(A)(1), and
  2. The additions are made at a public meeting of the Board.
- G. After an opportunity for public comment at a public meeting, the Board may make modifications to the Drinking Water Project Technical Assistance Priority List based on changes to the existing conditions under R18-15-509(A)(1).
- H. After an opportunity for public comment at a public meeting of the Board, the Board shall remove a project from the Drinking Water Project Technical Assistance Priority List under one or more of the following circumstances:
  1. The applicant has completed the technical assistance project,
  2. The project is no longer an eligible project,
  3. The applicant requests removal, or

4. The applicant is no longer an eligible applicant.

- I. The Authority shall provide project technical assistance to eligible applicants for proposed projects in priority order according to the Drinking Water Project Technical Assistance Priority List developed under this Section. If the Authority determines that an applicant will not be able to proceed with a project, the Board shall bypass that project. The Authority shall provide written notice to the applicant that the project has been bypassed. The Authority shall replace the bypassed project with the next project on the Drinking Water Project Technical Assistance Priority List in rank order that is ready to accept technical assistance.

#### Historical Note

New Section made by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### R18-15-509. Priority List Ranking Criteria for Drinking Water Project Technical Assistance

- A. The Authority, through its Board, shall rank projects using priority values obtained from the following formula:  
 $PV = EC + PB + LFC$ , where:  
 PV = Priority Value  
 EC = Existing Conditions  
 PB = Project Benefits  
 LFC = Local Fiscal Capacity
  1. Existing Conditions (EC) -- The Authority shall award EC points up to a maximum of 200 points using the following formula:  
 $EC = CC + PYF$ , where:  
 CC = Current Conditions  
 PYF = Prior Year Funding
    - a. Current Conditions (CC) -- The Authority shall award CC points up to a maximum of 100 points as follows:
      - i. 100 points if the applicant's system is at or above the 80th percentile of the community water systems on the Department's Master Priority List.
      - ii. 80 points if the applicant's system is at or above the 60th percentile but less than the 80th percentile of the community water systems on the Department's Master Priority List.
      - iii. 60 points if the applicant's system is at or above the 40th percentile but less than the 60th percentile of the community water systems on the Department's Master Priority List.
      - iv. 40 points if the applicant's system is at or above the 20th percentile but less than the 40th percentile of the community water systems on the Department's Master Priority List.
      - v. 20 points if the applicant's system is less than the 20th percentile of the community water systems on the Department's Master Priority List.
      - vi. 0 points if the applicant's system is not listed on the Department's Master Priority List.
    - b. Prior Year Funding (PYF) -- The Authority shall award PYF points up to a maximum of 100 points with only 1 set of points awarded as follows:
      - i. 100 points if the applicant requests project technical assistance to design a project that received pre-design project technical assistance from the Authority in a previous funding cycle.
      - ii. 50 points if the applicant requests additional technical assistance to offset actual costs or justified overruns.

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2. Project Benefits (PB) -- The Authority shall award PB points up to a maximum of 200 as follows:
  - a. For requests for pre-design project technical assistance, the Authority shall award points as follows:
    - i. 200 points if the project receives a combined score of 160 to 200 points for Current Conditions under R18-15-509(A)(1) and Local Fiscal Capacity under R18-15-509(A)(3).
    - ii. 150 points if the project receives a combined score of 120 to 159 points for Current Conditions under R18-15-509(A)(1) and Local Fiscal Capacity under R18-15-509(A)(3).
    - iii. 100 points if the project receives a combined score of 80 to 119 points for Current Conditions under R18-15-509(A)(1) and Local Fiscal Capacity under R18-15-509(A)(3).
    - iv. 50 points if the project receives a combined score of 40 to 79 points for Current Conditions under R18-15-509(A)(1) and Local Fiscal Capacity under R18-15-509(A)(3).
    - v. 0 points if the project receives a combined score of fewer than 40 points for Current Conditions under R18-15-509(A)(1) and Local Fiscal Capacity under R18-15-509(A)(3).
  - b. For requests for design project technical assistance, the Authority shall award points as follows:  
 PB = WSI + CR, where:  
 WSI = Water System Improvement  
 CR = Consolidation & Regionalization
    - i. Water System Improvement (WSI) -- The Authority shall award WSI points up to a maximum of 150 points from the following categories:
      - (1) A maximum of 100 points if the applicant's proposed project address deficiencies identified by the Department on the Department's Master Priority List.
      - (2) 25 points if the applicant submitted a complete Capacity Development Plan to the Department.
      - (3) 25 points if the proposed project includes installation of meters.
    - ii. Consolidation & Regionalization (CR) -- The Authority shall award CR points up to a maximum of 50 points as follows:
      - (1) 20 points if the applicant is consolidating the physical facilities of existing multiple facilities.
      - (2) 20 points if the applicant is extending service to existing areas currently served by another facility.
      - (3) 5 points if the applicant is consolidating the operations of existing multiple facilities.
      - (4) 5 points if the applicant is consolidating the ownership of existing multiple facilities.
3. Local Fiscal Capacity (LFC) -- The Authority shall award LFC points up to a maximum of 100 points using the following formula:  
 LFC = MHI + UF + I, where:  
 LFC = Local Fiscal Capacity  
 MHI = Median Household Income  
 UF = User Fees  
 I = Indebtedness
  - a. Median Household Income (MHI) - The Authority shall divide the MHI from the area served by the applicant by the state's MHI (Service Area MHI/ State MHI) to award points as follows:
    - i. 40 points if the area's MHI is less than 40% of the State's MHI.
    - ii. 30 points if the area's MHI is greater than or equal to 40% but less than 60% of the State's MHI.
    - iii. 20 points if the area's MHI is greater than or equal to 60% but less than 80% of the State's MHI.
    - iv. 10 points if the area's MHI is greater than or equal to 80% but less than 100% of the State's MHI.
    - v. 0 points if the area's MHI is greater than or equal to 100% of the State's MHI.
  - b. User Fees (UF) -- The Authority shall divide the applicant's proposed residential user fees, rates, and charges by the service area's MHI (Proposed User Fees, Rates and Charges/Area MHI) to award points as follows:
    - i. 30 points if the rates are more than 1.5% of the area's MHI.
    - ii. 15 points if the rates are from 1% to 1.5% of the area's MHI.
    - iii. 0 points if the rates are less than 1% of the area's MHI.
  - c. Indebtedness (I) -- The Authority shall divide existing indebtedness and proposed indebtedness by the number of users (Indebtedness/Number of Users) and divide the result by the service area's MHI to award points as follows:
    - i. 30 points if the existing and proposed indebtedness is more than 1% of the area's MHI.
    - ii. 15 points if the existing and proposed indebtedness is from .5% to 1% of the area's MHI.
    - iii. 0 points if the existing and proposed indebtedness is less than .5% of the area's MHI.
  - d. The Authority may use the most recent United States census data to determine the applicant's and the state's median household income. If the Authority or the applicant determines that this data is insufficient, the applicant shall use a reliable and impartial entity to conduct an income survey of the applicant's service area. If the applicant's service area is included in more than one income area, the Authority shall use an average of income areas to define the service area's median household income.
- B. The Authority shall rank tied scores by placing the project with the highest Local Fiscal Capacity points under R18-15-509(A)(3) above all other tied projects.

**Historical Note**

New Section made by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

**R18-15-510. Fundable Range for Drinking Water Project Technical Assistance Grants**

- A. The Board shall adopt a Fundable Range for Drinking Water Project Technical Assistance Grants based on projects ranked on the Priority List. The Board shall not adopt a new Fundable Range for funding cycles in which funds are not adequate to assist any projects.
- B. The Authority shall prepare a draft and a final Fundable Range at the same time and in the same manner as the Drinking Water

Project Technical Assistance Priority List in accordance with R18-15-508(D) and (E).

- C. The Authority shall rank projects within the Fundable Range based on priority values obtained from the Drinking Water Project Technical Assistance Priority List and the year the applicant requires funding. The Fundable Range addressed by the section shall be limited to systems fewer than 10,001 people.
- D. As a guide to award project technical assistance grants or consultant contributions, the Board may require applicants to contribute to fund total project costs as follows, based on ability to contribute:
  1. 25% contribution towards total project costs if the project received 70 or more points for Local Fiscal Capacity under R18-15-509(A)(3).
  2. 50% contribution towards total project costs if the project received fewer than 70 but at least 50 points for Local Fiscal Capacity under R18-15-509(A)(3).
  3. 75% contribution towards total project costs if the project received fewer than 50 but at least 30 points for Local Fiscal Capacity under R18-15-509(A)(3).
  4. If the applicant receives fewer than 30 points for Local Fiscal Capacity pursuant to R18-15-509(A)(3), the applicant may still be eligible for a project technical assistance loan under R18-15-511.
  5. An applicant's contribution can include cash contributions, in-kind contributions, and contributions financed by loans or debt from any source including a loan from the Authority. The Board may waive or modify the applicant's contribution for total project costs if the Board determines, at a public meeting, that the applicant is unable to fund the contribution in accordance with this subsection.
- E. The Board shall make additions to the Fundable Range if each of the following conditions are met:
  1. The project is on the Drinking Water Project Technical Assistance Priority List,
  2. Funds are available to cover the cost of the project and to honor funding commitments made to other projects, and
  3. The additions are made by the Board at a public meeting.
- F. After an opportunity for public comment at a public meeting, the Board shall remove a project from the Fundable Range under one or more of the following circumstances:
  1. The project has been removed from the Drinking Water Project Technical Assistance Priority List,
  2. The project has received all technical assistance requested by the applicant, or
  3. The applicant fails to proceed with the project.

#### **Historical Note**

New Section made by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### **R18-15-511. Fundable Range for Drinking Water Project Technical Assistance Loans**

- A. The Board shall adopt a Fundable Range for Drinking Water Project Technical Assistance Loans based on projects ranked on the Priority List. The Board shall not adopt a new Fundable Range for funding cycles in which funds are not adequate to assist any projects.
- B. The Authority shall prepare a draft and a final Fundable Range at the same time and in the same manner as the Drinking Water Project Technical Assistance Priority List in accordance with R18-15-508(D) and (E).
- C. The Authority shall rank projects within the Fundable Range based on priority values obtained from the Drinking Water

Project Technical Assistance Priority List and the year the applicant requires funding.

- D. The Authority shall provide only project technical assistance loans to applicants eligible under this Section.
- E. The Board shall make additions to the Fundable Range if each of the following conditions are met:
  1. The project is on the Drinking Water Project Technical Assistance Priority List,
  2. Funds are available to cover the cost of the project and to honor funding commitments made to other projects, and
  3. The additions are made by the Board at a public meeting.
- F. After an opportunity for public comment at a public meeting, the Board shall remove a project from the Fundable Range under one or more of the following circumstances:
  1. The project has been removed from the Drinking Water Project Technical Assistance Priority List,
  2. The project has received all technical assistance requested by the applicant, or
  3. The applicant fails to proceed with the project.

#### **Historical Note**

New Section made by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

#### **ARTICLE 6. HARDSHIP GRANT FUND**

##### **R18-15-601. Types of Assistance Available**

- A. The Authority may provide hardship grants for any of the following purposes:
  1. In accordance with A.R.S. § 49-1267(D)(1), financial assistance in the form of grants to political subdivisions and Indian tribes to design, plan, acquire, construct, or improve wastewater collection and treatment facilities.
  2. In accordance with A.R.S. § 49-1267(D)(2), technical assistance related to the operation and maintenance of wastewater systems.
- B. The Authority shall describe projects and proposed assistance in the Clean Water Revolving Fund Intended Use Plan developed under R18-15-203 or in the Technical Assistance Intended Use Plan developed under R18-15-501.

#### **Historical Note**

New Section adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2). Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

##### **R18-15-602. Eligibility Requirements for Hardship Grant Financial Assistance**

- A. To be eligible to receive financial assistance an applicant shall propose a project to design, plan, acquire, construct, or improve wastewater collection and treatment facilities owned by political subdivisions or Indian tribes.
- B. An applicant eligible under subsection (A) shall also meet all of the following requirements before receiving financial assistance:
  1. The applicant has applied for financial assistance in accordance with R18-15-102(A), (B), and (E).
  2. The project is on the Clean Water Revolving Fund Priority List developed under Article 2 of this Chapter or the project is on the Clean Water Project Technical Assistance Priority List developed under Article 5 of this Chapter.
  3. The applicant is a community in a rural area.
  4. The applicant is a community of more than a single household but no more than 3,000 persons as measured by the most recent United States decennial census.

5. The applicant is a community that lacks centralized wastewater treatment or collection systems or needs improvements to wastewater treatment systems.
6. On the date the applicant applies for assistance, the per capita annual income of the community's residents does not exceed 80% of national per capita income.
7. On the date the applicant applies for assistance, the community's local unemployment rate exceeds by one percentage point or more the most recently reported average yearly national unemployment rate.

**Historical Note**

New Section adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2). Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

**R18-15-603. Hardship Grant Financial Assistance Awards**

- A. The Board shall award financial or technical assistance to eligible applicants for proposed projects in priority order according to the priority lists developed under Articles 2 and 5 of this Chapter. If the Authority determines that an eligible applicant will not be able to proceed with a project, the Board shall bypass that project. The Authority shall provide written notice to the applicant that the project has been bypassed. The Authority shall replace the bypassed project with the next eligible applicant and eligible project pursuant to priority lists developed under Articles 2 and 5 of this Chapter.
- B. The Board shall award financial or technical assistance to eligible applicants based on the Local Fiscal Capacity points assigned to an applicant under R18-15-205(A)(3) or R18-15-505(A)(4) and an applicant's ability to generate sufficient revenues to pay debt service.

**Historical Note**

New Section adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2). Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).

**ARTICLE 7. INTEREST RATE SETTING AND FORGIVABLE PRINCIPAL****R18-15-701. Interest Rate Setting and Forgivable Principal**

- A. The Authority shall prescribe the rate of interest, including interest rates as low as 0% on Authority loans, bond purchase agreements, and linked deposit guarantees based on the Local Fiscal Capacity points assigned to an applicant under R18-15-205(A)(3) or R18-15-305(A)(3), and an applicant's ability to generate sufficient revenues to pay debt service.
- B. The Authority may forgive principal on Authority loans, bond purchase agreements, and linked deposit guarantees made to local units of government to plan, acquire, construct, or improve drinking water facilities.
- C. In accordance with subsection (B) of this Section, the Authority may forgive principal based on the Local Fiscal Capacity points assigned to an applicant under R18-15-305(A)(3), and an applicant's ability to generate sufficient revenues to pay debt service.

**Historical Note**

New Section adopted by final rulemaking at 6 A.A.R. 2116, effective May 16, 2000 (Supp. 00-2). Amended by final rulemaking at 7 A.A.R. 5956, effective December 4, 2001 (Supp. 01-4).